

The exempt status of a nonprofit educational organization under section 501(c)(3) of the Internal Revenue Code of 1954 is not affected by its nonpartisan study, research and assembly of materials in connection with court reform and the dissemination of such materials to the public.

Advice has been requested whether the exempt status of a nonprofit organization will be affected if it also engages in the study, research and assembly of materials in connection with court reform.

The instant organization was formed as a nonprofit corporation for educational, literary, scientific and charitable purposes. Some of its specific purposes are (1) to promote the study of the law and research therein, the diffusion of knowledge thereof, and the continuing education of lawyers; (2) to cause to be published and to distribute addresses, reports, treatises and other literary works on legal subjects; (3) to maintain a law library and a research center; and (4) to promote suitable standards of legal education. It was held exempt from income tax under section 501(a) of the Internal Revenue Code of 1954 as an educational organization described in section 501(c)(3) thereof.

During the course of its existence, the organization became interested in the question of court reform in the particular State in which it was organized. The legislature of that State agreed to a bill to amend the State constitution to improve and expedite the administration of justice in the State. This amendment, when submitted for approval at the general election and if voted into law, would require a complete and fundamental revision of the court system of that State.

In order that the public be informed as to the nature of the reform, the organization embarked upon a program of study, research and assembly of the materials necessary to make an evaluation of the legislation. Experts were assembled and employed to conduct an extensive analysis of all materials relating to court reform in the United States and a detailed study and analysis of the pertinent existing case and statutory law of the State. The analyses will deal with, for example, the organization and operation of the courts of the State by explaining any contemplated changes in (1) the number of such courts, territory of each; (2) judges: number, pay, removal, duties; (3) clerks: number, pay, removal, duties; (4) jurisdiction of courts, court clerks and magistrates; and (5) rules of practice and procedure for courts and magistrates.

The instant organization does not expend any of its funds or participate in any way in the presentation of suggested bills to the State legislature and it does not expend its funds in any campaign necessary to persuade the people to vote for the constitutional amendment. Its activity in connection with court

reform is limited to the study, research and assembly of materials and the presentation of an objective analysis to those interested in court reform including those who oppose it as well as those who favor it, and to the general public.

Section 501(c)(3) of the Code, insofar as here pertinent, provides for the exemption from Federal income tax of an organization organized and operated exclusively for educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation.

Section 1.501(c)(3)-1(d)(3) of the Income Tax Regulations defines the term 'educational' as relating to the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(c)(3) of the regulations provides that an organization is not operated exclusively for one or more exempt purposes if it is an 'action' organization as described therein. One of the three types of 'action' organizations described in that section is an organization which has the following two characteristics: (a) its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation; and (b) it advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research and making the results thereof available to the public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

On the basis of the facts and circumstances herein described, it is clear that the instant organization does not expend funds or participate in any way in the presentation of any proposed bills to the State legislature or advocate either approval or disapproval of the proposed constitutional amendment by the electorate. Its primary activity in connection with court reform is the study, research, and assembling of materials on a nonpartisan basis and the dissemination of such materials to the public. Accordingly, it is concluded the organization is not an 'action' organization as that term is defined in section 1.501(c)(3)-1(c)(3) of the regulations.

In view of the foregoing, it is held that the exempt status of the instant organization under section 501(c)(3) of the Code is not affected by its nonpartisan study, research and assembling of materials in connection with court reform and the dissemination of such materials to the public.